

---

**BOARD OF COMMISSIONERS OF**  
**THE PORT OF NEW ORLEANS**  
**LOUISIANA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2011**

---

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **OCT 05 2011**



Postlethwaite  
& Netterville

A Professional Accounting Corporation

[www.pncpa.com](http://www.pncpa.com)

**BOARD OF COMMISSIONERS OF**  
**THE PORT OF NEW ORLEANS**  
**LOUISIANA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2011**

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS	1 – 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 – 11
FINANCIAL STATEMENTS	
Statements of Net Assets	12 – 13
Statements of Revenues, Expenses and Changes in Net Assets	14 – 15
Statements of Cash Flows	16 – 17
NOTES TO FINANCIAL STATEMENTS	18 – 47
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress	48 – 49

## **INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS**

The Board of Commissioners of the  
Port of New Orleans:

We have audited the accompanying statements of net assets of the Board of Commissioners of the Port of New Orleans (the Port) as of June 30, 2011 and 2010 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of the Port. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 15, 2011 on our consideration of the Port's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12 and the Schedules of Funding Progress on page 48 and 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Postlethwaite & Nettiville*

Metairie, Louisiana  
September 15, 2011

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Board of Commissioners of the Port of New Orleans (Board) annual financial report presents a discussion and analysis of the Board's financial performance for the Fiscal Year ended June 30, 2011. Please read it in conjunction with the Board's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

The Board's financial performance for Fiscal Year 2011 is highlighted by stronger operating revenue generation as operating expense increased slightly when compared to Fiscal Year 2010. This combination produced an increase of net operating income before depreciation of \$3.9 million higher than Fiscal Year 2010. This is reflective of the slowly recovering U.S. and world economy and the continuing improvement in container volumes for the Port. The Board's net assets increased \$19 million resulting primarily from the forgiveness of the FEMA Community Disaster Loan (CDL) and capital revenue from state and federal sources offset by an operating loss. In comparison, Fiscal Year 2010 had an increase of \$1.6 million in net assets as the operating loss and non-operating expenses were offset by capital contributions from state and federal programs.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This financial report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements and reports on compliance and internal control over financial reporting and federal programs.

The Board's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues, Expenses, and Changes in Net Assets. All assets and liabilities associated with the operation of the Board are included in the Statement of Net Assets.

The financial statements provide both long and short-term information about the Board's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

**FINANCIAL ANALYSIS**

**Net Assets**

The Board's total assets at June 30, 2011, are \$681.1 million. This represents an increase of \$14.4 million or 2.1 percent from the prior year. Total liabilities are \$144.3 million for a decrease of \$4.6 million or 3.2 percent and total net assets are \$536.8 million for an increase of approximately \$19.0 million or 3.5 percent. The comparison of Fiscal Year 2010 to 2009 indicated a decrease for 2010 of \$1.9 million in total assets and an increase of \$1.6 million in net assets. (See Table 1).

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The item, "Invested in capital assets, net of related debt," consists of capital assets net of accumulated depreciation and reduced by the amount of outstanding indebtedness (offset by the debt related to unspent bond proceeds) attributable to the acquisition, construction, or improvement of those assets.

<b>Table 1</b> <b>(in thousands of dollars)</b> <b>Net Assets</b>				
	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>Percentage</u></b> <b><u>Change</u></b>	<b><u>2009</u></b>
Current assets	\$ 78,442	\$ 94,302	-16.8%	\$ 102,625
Restricted assets	27,378	27,824	-1.6%	32,092
Property (net)	572,073	541,824	5.6%	531,037
Other assets	3,210	2,767	16.0%	2,840
Total assets	<u>\$ 681,103</u>	<u>\$ 666,717</u>	2.2%	<u>\$ 668,594</u>
Current liabilities	\$ 17,325	\$ 13,261	30.6%	\$ 17,240
Non-current liabilities	126,966	135,699	-6.4%	135,120
Total liabilities	<u>144,291</u>	<u>148,960</u>	-3.1%	<u>152,360</u>
Net assets:				
Invested in capital assets, net of related debt	463,497	432,010	7.3%	424,491
Restricted	27,378	27,735	-1.3%	28,027
Unrestricted	45,937	58,062	-20.9%	63,716
Total net assets	<u>536,812</u>	<u>517,807</u>	3.7%	<u>516,234</u>
Total liabilities and net assets	<u>\$ 681,103</u>	<u>\$ 666,767</u>	2.2%	<u>\$ 668,594</u>

Current assets decreased as cash and investments accumulated in prior years, mainly from significant insurance proceeds, were used to fund the capital improvement program. The expenditures for the capital improvement program resulted in a net property increase of \$30.2 million. Non-current liabilities decreased \$8.7 million mainly due to the forgiveness of the CDL. Unrestricted assets decreased due to cash expenditures for capital improvements.

Current liabilities increased \$4.1 million when compared to Fiscal Year 2010, as accounts payable increased due to significant accruals for increased construction in progress and other liabilities increased with higher retainage liability for ongoing construction contracts.



**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

In Fiscal Year 2010 as compared to Fiscal Year 2009, current assets decreased as cash and investments accumulated in prior years, mainly from insurance proceeds, were used to fund the capital improvement program. The decrease continued in Fiscal Year 2011, as mentioned above. Restricted assets decreased in Fiscal Year 2010 as the last of the bond issue Series 2005 was drawn down for prior year expenditures. Payment, in Fiscal Year 2010, of expenses from insurance claims accrued in Fiscal Year 2009 reduced the current liabilities. Unrestricted assets in Fiscal Year 2010 decreased due to cash expenditures for capital improvements.

The payment of insurance claims expense in Fiscal Year 2010 reduced the payables and is responsible for the decrease in current liabilities when compared to Fiscal Year 2009.

Restricted funds totaling \$20.6 million result from an agreement entered into by the Board with the U.S. Army Corps of Engineers (USACOE) for the redevelopment of an existing lock connecting the Mississippi River to the Inner-Harbor Navigation Canal (IHNC). The Board agreed to fund a portion of the construction project as it relates to providing deep-draft access. The USACOE made payments to the Board for acquiring certain Board property needed to expand the existing lock. Such funds are to be held in an escrow account by the Board until such time as they are needed to pay for the deep-draft portion of the construction project.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

<b>Table 2</b> <b>Changes in Net Assets</b> <b>(in thousands of dollars)</b>				
	<b>2011</b>	<b>2010</b>	<b>Percentage Change</b>	<b>2009</b>
Operating Revenues:				
Terminal operations	\$ 32,856	\$ 29,949	9.7%	\$ 28,757
Cruise and tourism	6,837	5,837	17.1%	4,447
Real estate	3,711	3,680	0.8%	3,257
Total operating revenues	<u>43,404</u>	<u>39,466</u>	10.0%	<u>36,461</u>
Operating Expenses:				
Operating expenses	33,294	32,096	3.7%	36,920
Depreciation	19,639	19,634	0.0%	19,109
Total operating expenses	<u>52,933</u>	<u>51,730</u>	2.3%	<u>56,029</u>
Operating loss	(9,529)	(12,264)	22.3%	(19,568)
Non-operating revenues/(expenses), net				
Investment income	362	534	-32.2%	1,319
Interest expense	(5,122)	(5,593)	-8.4%	(5,516)
Federal non-capital grants	108	144	-25.0%	23
Hurricane gain (loss)	1,668	130	1183.1%	(210)
Gain (loss) on sale of assets	738	1,282	42.4%	6
Loss on asset impairment	-	(785)	-100.0%	(784)
Forgiveness of debt	8,473	-	0.0%	-
Demolition costs	(1,812)	(472)	283.9%	-
Miscellaneous - net	<u>(256)</u>	<u>(304)</u>	-15.8%	<u>(2,111)</u>
Income (loss) before contributions	<u>(5,370)</u>	<u>(17,328)</u>	-69.0%	<u>(26,841)</u>
Capital revenue from state and federal programs	<u>24,375</u>	<u>18,901</u>	29.0%	<u>16,864</u>
Change in net assets	19,005	1,573	1108.2%	(9,977)
Total net assets, beginning of the year	<u>517,807</u>	<u>516,234</u>	0.3%	<u>526,211</u>
Total net assets, end of year	<u>\$ 536,812</u>	<u>\$ 517,807</u>	3.7%	<u>\$ 516,234</u>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Changes in Net Assets**

The change in net assets for the year ended June 30, 2011, when compared to the change in net assets for the year ended June 30, 2010, is an increase of \$17.4 million or 1,108.2 percent. The Board's total operating revenues increased \$3.9 million or 9.9 percent. This increase is due to the higher volumes of containerized cargo along with an increase in ocean-going cruise passengers from an additional three months of sailing by Norwegian Cruise Line. Total operating expenses increased \$1.2 million or 2.3 percent. The increase was mainly due to higher payroll and fringe benefits from additional positions, fuel and utilities cost, travel and promotional expense and maintenance costs. The changes in net assets are detailed in Table 2 and operating expenses are detailed in Table 3.

Operating revenues increased \$3.0 million in Fiscal Year 2010 versus Fiscal Year 2009 as container volumes more than offset a reduction in breakbulk cargo. Further, cruise revenue increased as ocean-going passenger totals were higher in Fiscal Year 2010. Two reasons for the increase were the replacement of a smaller vessel by Carnival Cruise Line with a thirty percent larger capacity vessel and twelve full months of sailing versus ten in Fiscal Year 2009. The reduced sailings in 2009 were the result of a preplanned dry docking of the Carnival Fantasy and an accidental oil spill in the river causing the loss of two full months of sailings.

In the area of non-operating revenue and expense, investment income was lower by \$171,000 in 2011 as rates continued to drop. The most significant increase in non-operating revenue in Fiscal Year 2011 was due to the forgiveness of the CDL debt accounting for an \$8.5 million increase over Fiscal Year 2010.

In the area of non-operating revenue and expense, investment income was lower by \$785,000 in 2010 compared to Fiscal Year 2009 as capital construction reduced investments and rates continued to drop. Further, the sale of property in Fiscal Year 2010 increased revenue over 2009 by \$1.3 million. Demolition cost was lower in Fiscal Year 2010 by approximately \$1.3 million. Capital revenue from state and federal sources was somewhat higher by \$2.0 million in Fiscal Year 2010 over 2009. Two major projects supported by state funding begun in 2009, the building of two container cranes and a new dredge vessel, continued in Fiscal Year 2010.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

<p style="text-align: center;"><b>Table 3</b>  <b>Operating Expenses</b>  <b>(in thousands of dollars)</b></p>				
	<b>2011</b>	<b>2010</b>	<b>Percentage Change</b>	<b>2009</b>
Labor and fringe benefits	\$ 22,253	\$ 20,945	6.2%	\$ 21,636
Fuel and utilities	2,354	2,188	7.6%	2,598
Supplies	289	218	32.6%	297
Maintenance agreements	436	502	-13.1%	456
Purchased services	113	93	21.5%	134
Rent – real estate and equipment	453	322	40.7%	453
Contract labor services	809	800	1.1%	989
Travel, promotion and advertising	794	567	40.0%	883
Electronic data service subscription	101	137	-26.3%	123
Training	25	23	8.7%	100
Professional fees	925	970	-4.6%	1,113
Maintenance	2,102	1,145	83.6%	1,849
Insurance	4,796	5,090	-5.8%	5,392
Workers' compensation	275	1,431	-80.8%	2,888
Security fee reimbursement	(454)	(501)	-9.4%	(566)
Other	201	188	6.9%	178
Depreciation	19,639	19,634	0.0%	19,109
Less capitalized labor	(2,178)	(2,022)	7.7%	(1,603)
Total operating expenses	\$ <u>52,933</u>	\$ <u>51,730</u>	2.3%	\$ <u>56,029</u>

Due to an anticipated slump in operating revenue for Fiscal Year 2010, the Board cut operating expense in order to preserve acceptable net operating income before depreciation. With the revenues rebounding in Fiscal Year 2011, the Board reinstated some of the more dramatic reductions in operating expense. The total increase in operating expense when comparing Fiscal Year 2011 to Fiscal Year 2010 is approximately \$1.2 million or 2.3 percent. The major categories of increases were labor and fringe benefits, fuel and utilities, travel and promotional related expenses and maintenance. Significant areas of reduction were insurance, workers' compensation expense and an increase in capitalized labor causing a reduction in operating expense.

Labor and fringe benefits increased in 2011 \$1.3 million or 6.2 percent. Salaries were higher by \$797,000 as a 2010 hiring freeze was lifted in Fiscal Year 2011 and more positions were added. Further, merit increases were not allowed in Fiscal Year 2010, but were reinstated in Fiscal Year 2011. In fringe benefits, contributions for the State LASERS retirement program increased as well as the Harbor Police Department pension program resulting in a \$386,000 increase in Fiscal Year 2011. Increases in health care insurance premiums account for another \$490,000 in Fiscal Year 2011.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For Fiscal Year 2010, labor and fringe benefits decreased 3.2 percent to \$21.0 million when comparing to Fiscal Year 2009 for a number of reasons. A combination of fewer employees and lower overtime expenditures in Fiscal Year 2010 caused payroll and fringe benefits to decrease by \$691,000. A freeze on salary increases and a restrictive hiring policy assisted in keeping expenses lower. The Board's match for employee contributions for deferred compensation was eliminated resulting in a reduction of \$252,000 in this expense category. Retirement contributions decreased by \$99,000 due to the lower salary base as well as the state's LASERS rate increasing only by 0.1 percent. Health care cost increased \$306,000 due to increases in policy rates.

Fuel and utilities increased in 2011 approximately \$166,000. Fuel increased by \$160,000 with higher volumes of use and higher rates and water increased \$98,000 with higher water vessel service due to a greater number of vessels calling the Port in Fiscal Year 2011 than Fiscal Year 2010. These increases were offset by lower electricity costs, as one of the cranes was out of service for over two months, and lower telephone expenses.

Fuel and utilities decreased in Fiscal 2010 when compared to Fiscal Year 2009 by \$410,000 as fuel prices continued to decline and lower consumption of water due to fewer vessels combined for the reduction.

After the budget reductions in Fiscal Year 2010 were effective in providing a cushion in net operating revenue before depreciation, the Board returned to a more normal pattern of promoting the Port in Fiscal Year 2011. Thus, the travel and promotion budget was increased resulting in higher costs for travel by \$142,000, promotion by \$40,000 and advertising by \$43,000.

In Fiscal Year 2010, as part of the aforementioned cost-saving measures, travel, promotion and advertising were reduced significantly resulting in lowering expense by \$316,000 or 35.8 percent versus Fiscal Year 2009.

Maintenance and repair of facilities was higher in Fiscal Year 2011 as compared to Fiscal Year 2010 by \$957,000 or 83.6 percent as repairs that were deferred in the previous fiscal year were scheduled and completed, increasing maintenance costs.

Maintenance and repair of facilities was deferred during Fiscal Year 2010 to reduce operating costs further resulting in related costs reduction of \$704,000 or 38.1 percent versus Fiscal Year 2009.

Property insurance again decreased. In Fiscal Year 2011 insurance premiums decreased \$294,000 or 5.8 percent versus 2010 as rates continued to ease with the passage of time from the devastation of major storms, hurricanes Katrina and Rita. This was the third year in a row that rates decreased.

Property insurance decreased in Fiscal Year 2010 versus 2009 for the same reason as above.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Workers' compensation decreased by \$1.2 million versus 2010 as claims reserve was increased in 2009 due to the death of a former Board employee, allegedly from asbestosis. The claim was settled in Fiscal Year 2010 and additional expense was incurred due to a higher settlement value than was reserved.

Capitalized labor increased in Fiscal Year 2011 by \$156,000 as the pace of reconstruction from Hurricane Katrina accelerated and two major projects, the river front cold storage facility and construction of two container cranes began.

Capitalized labor increased in 2010 by \$419,000 as the pace of reconstruction from Hurricane Katrina accelerated for the third year in a row.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2011, the Board had invested \$572.1 million in capital assets net of accumulated depreciation. As compared to the prior year, this amount represents an increase (including additions and disposals) of \$30.2 million. Property increased during 2010 when compared to 2009 with the addition of a net \$10.8 million of capital assets.

**Debt Administration**

The Board has made its regularly scheduled payments on its Port Facility Revenue Bonds, Series 2001, Series 2002, Series 2003, Series 2005, Series 2008, Series 2010 and Series 2011. Total bond debt payments for the Fiscal Year 2011 was \$33.4 million.

Under the terms of its capital leases for the container cranes and for computer equipment, the Board made lease payments of approximately \$1.1 million including principal and interest. All bond debt and lease covenants have been met.

Additional detailed information relating to capital assets and debt administration is presented in the financial statements and notes number 4, "Property, Net" and 5, "Non-Current Liabilities".

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**ECONOMIC FACTORS**

As the economy slowly recovered in Fiscal Year 2011, the Port had higher volumes of cargo throughput translating into increased revenue. Container numbers continued to increase. One of the major reasons that the container business has grown in the Port over the past few years, is the continuing commitment of Mediterranean Shipping Company (MSC) to add volumes to the New Orleans call. This growth is expected to continue as New Orleans Terminals, a cooperative endeavor corporation joining MSC and Ceres Container Terminals, signed a ten year lease terminal operating contract with the Port toward the end of Fiscal Year 2011. Breakbulk, which had suffered losses in volumes over the past few years, showed increased tonnage as well. Board container tonnage increase 415,731 tons or 11.52 percent when comparing Fiscal Year 2011 to Fiscal Year 2010. Breakbulk increased 204,230 tons or 9.01 percent as total Board-owned facilities increased 619,961 or 10.55 percent for general cargo tonnage in Fiscal Year 2011. Further, the Board increased fees charged for dockage, harbor dues and container crane rental by an overall 10.0 percent, assisting with revenue increases and stability.

In the cruise area, the Norwegian Spirit began sailing year-round in Fiscal Year 2011 adding three more months of sailings. The cruise industry continues to grow with Carnival committing to bring an additional vessel to the Port on a year-round basis in November 2011 and Royal Caribbean Cruise Line committing to bring in the largest vessel to ever call the Port of New Orleans on a seasonal basis, also in November of 2011.

**CONTACTING THE BOARD'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our bondholders, patrons, and other interested parties with a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Board at (504) 528-3346.

## **FINANCIAL STATEMENTS**



**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**Page 1 of 2**

**STATEMENTS OF NET ASSETS**  
**JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	\$ 33,708,324	\$ 54,658,863
Investments	26,972,159	15,571,882
Accounts receivable, less allowance for doubtful accounts of \$1,089,418 and \$1,111,852 at June 30, 2011 and 2010, respectively	4,446,660	5,706,020
Due from other governments	6,881,640	12,043,531
Stores inventory	2,762,033	2,493,119
Prepaid items	3,671,507	3,828,643
Total current assets	<u>78,442,323</u>	<u>94,302,058</u>
<b><u>NON-CURRENT ASSETS</u></b>		
Restricted cash, cash equivalents, and investments:		
Unexpended equipment and construction funds	-	88,814
Revenue bond covenant accounts	6,812,571	7,227,245
Deep draft lock escrow	20,564,956	20,507,767
Total restricted assets	<u>27,377,527</u>	<u>27,823,826</u>
Property - net	572,073,416	541,824,669
Post employment benefit asset	80,204	57,869
Other assets	3,129,386	2,708,734
Total non-current assets	<u>602,660,533</u>	<u>572,415,098</u>
<b>TOTAL ASSETS</b>	<u>681,102,856</u>	<u>666,717,156</u>
<b><u>LIABILITIES</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable	10,085,588	6,606,128
Bonds payable - current	325,000	340,000
Accrued interest payable	1,070,339	1,422,069
Capital leases payable - current	467,181	495,809
Unearned income	1,517,844	1,528,318
Other liabilities	3,858,886	2,868,839
Total current liabilities	<u>17,324,838</u>	<u>13,261,163</u>

(Continued)

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**Page 2 of 2**

**STATEMENTS OF NET ASSETS - CONTINUED**  
**JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b><u>LIABILITIES (continued)</u></b>		
<b><u>NON-CURRENT LIABILITIES</u></b>		
Revenue bonds payable	104,380,704	104,869,632
Community disaster loan payable	-	7,549,106
Accrued interest payable on community disaster loan	-	872,319
Debt service assistance program loan payable	14,365,679	14,365,679
Capital leases payable	3,403,605	4,198,172
Net pension obligation	1,773,694	1,087,718
Post-employment benefit obligation	1,659,574	1,299,688
Compensated absences payable	1,383,199	1,406,720
Total non-current liabilities	<u>126,966,455</u>	<u>135,649,034</u>
<b>TOTAL LIABILITIES</b>	<u>144,291,293</u>	<u>148,910,197</u>
<b><u>NET ASSETS</u></b>		
<b><u>NET ASSETS</u></b>		
Invested in capital assets, net of related debt	463,496,926	432,009,870
Restricted for revenue bond debt service	6,812,571	7,227,245
Restricted for deep draft lock	20,564,956	20,507,767
Unrestricted	<u>45,937,110</u>	<u>58,062,077</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 536,811,563</u>	<u>\$ 517,806,959</u>

The accompanying notes are an integral part of these statements.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**Page 1 of 2**

**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b><u>OPERATING REVENUES</u></b>		
Terminal operations:		
Dockage	\$ 7,298,001	\$ 6,509,322
Rentals	18,733,300	17,779,440
Harbor fees	1,511,317	1,244,225
Container cranes	3,849,517	2,912,689
Other	1,464,166	1,503,550
	<u>32,856,301</u>	<u>29,949,226</u>
 Cruise and tourism	 6,836,854	 5,836,954
Real estate rentals	3,711,339	3,679,923
Total operating revenues	<u>43,404,494</u>	<u>39,466,103</u>
 <b><u>OPERATING EXPENSES</u></b>		
Operations services:		
Port development	8,995,317	8,925,708
Port operations	11,681,366	10,310,531
Cruise and tourism	2,066,189	1,916,247
Marketing	2,166,652	1,970,313
Total operations services	<u>24,909,524</u>	<u>23,122,799</u>
Management services:		
Finance and information services	2,013,543	1,992,005
Administration Services	2,027,084	1,883,833
Legal and risk	1,357,898	1,303,873
Business development	510,381	512,156
Total management services	<u>5,908,906</u>	<u>5,691,867</u>

(Continued)

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**Page 2 of 2**

**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS - CONTINUED**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Other operating:		
Executive	2,199,629	1,850,334
Workers' compensation and self insured claims	275,416	1,431,423
Total other operating	<u>2,475,045</u>	<u>3,281,757</u>
Depreciation	<u>19,639,047</u>	<u>19,634,004</u>
Total operating expenses	<u>52,932,522</u>	<u>51,730,427</u>
<b><u>OPERATING LOSS</u></b>	<u>(9,528,028)</u>	<u>(12,264,324)</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Investment income	362,132	533,592
Interest expense	(5,122,492)	(5,592,930)
Federal noncapital grants	108,309	143,926
Hurricane gain (loss)	1,667,874	(654,386)
Gain (loss) on disposal of assets	738,125	1,282,064
Demolition costs	(1,812,457)	(472,306)
Forgiveness of debt	8,472,789	-
Miscellaneous - net	(256,837)	(303,456)
Total non-operating revenues (expenses)	<u>4,157,443</u>	<u>(5,063,496)</u>
<b><u>LOSS BEFORE CONTRIBUTIONS</u></b>	<u>(5,370,585)</u>	<u>(17,327,820)</u>
<b><u>CAPITAL CONTRIBUTIONS</u></b>	<u>24,375,189</u>	<u>18,900,609</u>
<b><u>CHANGE IN NET ASSETS</u></b>	<u>19,004,604</u>	<u>1,572,789</u>
<b><u>NET ASSETS, BEGINNING OF YEAR</u></b>	<u>517,806,959</u>	<u>516,234,170</u>
<b><u>NET ASSETS, END OF YEAR</u></b>	<u>\$ 536,811,563</u>	<u>\$ 517,806,959</u>

The accompanying notes are an integral part of these statements.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

Page 1 of 2

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

	2011	2010
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Receipts from customers and users	\$ 44,229,869	\$ 38,531,633
Payments to suppliers	(6,765,429)	(14,573,270)
Payments to employees	(15,460,604)	(14,891,078)
Payments of benefits on behalf of employees	(6,634,852)	(5,908,122)
Net cash provided by operating activities	<u>15,368,984</u>	<u>3,159,163</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>		
Noncapital contributions from other governments	108,309	143,926
Net cash provided by noncapital financing activities	<u>108,309</u>	<u>143,926</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>		
Expenditures for acquisition and construction of capital assets	(49,078,300)	(29,181,225)
Proceeds from sales of capital assets	1,000,206	2,600,000
Capital contributions from other governments	29,537,080	19,073,705
Proceeds from refinancing of bonds	32,832,078	-
Repayments of principal borrowed to finance acquisition and construction of capital assets	(34,354,625)	(1,184,007)
Interest paid on amounts to finance acquisition and construction of capital assets	(5,146,820)	(4,947,371)
Payments for bond issuance costs	(333,529)	-
Demolition costs and other	(2,084,908)	(775,755)
Hurricane costs	1,667,874	(610,238)
Net cash (used in) capital and related financing activities	<u>(25,960,944)</u>	<u>(15,024,891)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Purchase of investments	(13,076,799)	(28,153,797)
Proceeds from sales and maturities of investments	1,619,333	87,858,031
Investment income received	487,090	857,695
Net cash provided by (used in) investing activities	<u>(10,970,376)</u>	<u>60,561,929</u>

(Continued)

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

Page 2 of 2

**STATEMENTS OF CASH FLOWS - CONTINUED**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b><u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>	\$ (21,454,027)	\$ 48,840,127
<b><u>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</u></b>	<u>61,974,922</u>	<u>13,134,795</u>
<b><u>CASH AND CASH EQUIVALENTS, END OF YEAR</u></b>	<u>\$ 40,520,895</u>	<u>\$ 61,974,922</u>
<b><u>RECONCILIATION OF LOSS FROM OPERATIONS TO</u></b>		
<b><u>NET CASH PROVIDED BY OPERATING ACTIVITIES:</u></b>		
Operating loss	\$ (9,528,028)	\$ (12,264,324)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation	19,639,047	19,634,004
Changes in assets and liabilities relating to operating activities:		
Accounts and insurance receivable	1,150,016	(1,394,982)
Stores inventories	(268,914)	(45,059)
Prepaid items	157,136	475,489
Other assets	(314,167)	131,266
Accounts payable	3,479,460	(2,188,604)
Unearned income	(10,474)	149,480
Other liabilities	64,902	(2,392,559)
Net pension obligation	685,976	441,508
Post-employment benefit obligation	337,551	642,061
Compensated absences payable	(23,521)	(29,117)
Net cash provided by operating activities	<u>\$ 15,368,984</u>	<u>\$ 3,159,163</u>
<b><u>RECONCILIATION TO STATEMENTS OF NET ASSETS:</u></b>		
Cash and cash equivalents for cash flow statements include:		
Cash and cash equivalents	33,708,324	54,658,863
Restricted assets:		
Money market mutual funds	6,812,571	7,316,059
Total cash and cash equivalents	<u>\$ 40,520,895</u>	<u>\$ 61,974,922</u>
<b><u>SUPPLEMENTAL DISCLOSURE OF NON-CASH FLOW INFORMATION:</u></b>		
Noncash capital acquisitions by lease	\$ 146,000	\$ 408,000
Noncash forgiveness of Community Disaster Loan	\$ 8,472,789	\$ -
Noncash increase (decrease) in fair value of investments	<u>\$ 45,534</u>	<u>\$ (2,644)</u>

The accompanying notes are an integral part of these statements.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Board of Commissioners of the Port of New Orleans (the Port) is an independent political subdivision of the State of Louisiana, which is authorized by Louisiana Revised Statutes 34:1-47. The Port is governed by a Board of Commissioners (the Board) consisting of seven members appointed by the Governor. The Board has all the powers and privileges granted to it by the constitution and statutes of the State of Louisiana including, but not limited to, the authority to incur debt, to issue bonds, to construct and maintain wharves and landings, and to charge fees for the use of the wharves and other facilities administered by the Port.

The Port prepares its financial statements in accordance with standards issued by the Governmental Accounting Standards Board (GASB).

The Port is reported as a stand-alone entity as defined by GASB Statement No. 14, *The Financial Reporting Entity*. The Port is neither fiscally dependent on any other local government nor does it provide specific financial benefits to or impose specific financial burdens on any other government. No other potential component units meet the criteria for inclusion in the financial statements of the Port.

**Measurement Focus, Basis Accounting and Financial Statement Presentation**

The accounting policies of the Port conform to accounting principles generally accepted in the United States of America as applicable to governments. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses, excluding depreciation and amortization, are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The Port's accounts are organized into a single proprietary fund. The Port's operations are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result from leasing properties or providing services. Operating expenses include the cost of providing services, administrative services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Port's policy to use restricted resources first, then unrestricted resources as they are needed.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**Measurement Focus, Basis Accounting and Financial Statement Presentation (continued)**

Under the provisions of GASB Statement 20, *Accounting and Financial Reporting for Proprietary Fund Accounting*, the Port applies all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict or contradict GASB pronouncements.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Investments**

Investments of the Port, substantially all of which have original maturities of two years or less, are recorded at fair value. Fair value is based on quoted market prices.

**Stores Inventory**

The inventory of the Port consists of expendable materials, supplies and fuel and is valued at the lower of average cost or market.

**Restricted Assets**

Under an agreement with the Corps of Engineers (Corps) the proceeds of land sales to the Corps in 2002 and 2003 have been put into an escrow fund to be used to pay the Port's share of a deep draft lock on the Inner Harbor Navigation Canal. Gains on the sales of land of approximately \$10,100,000 and \$5,600,000 were recognized for the years ended June 30, 2003 and 2002 respectively. Interest income related to these restricted assets was \$81,531 and \$196,326 for the years ended June 30, 2011 and 2010, respectively.

Certain proceeds of the Port's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because they are maintained in separate investment accounts and their use is limited by applicable bond requirements.

**Property and Depreciation**

The Port capitalizes assets that have an individual cost of \$500 or more and an estimated useful life in excess of one year. Property constructed or acquired by purchase is stated at cost. Donated property is stated at the estimated fair value on the date received.



**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

Depreciation of property and amortization of capital lease assets is computed using the straight-line method over the following estimated useful lives:

Wharves and sheds	30 – 50 years
Roadways and drainage	20 years
Marshalling areas	15 years
Buildings	15 – 40 years
Machinery and equipment	3 – 40 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital asset and improvements are capitalized as projects are constructed. The Port's policy is to capitalize construction period interest, if any. For fixed assets purchased with externally restricted debt, capitalized interest is the difference between interest expense and interest earnings on invested proceeds of the debt. The capitalization period begins with the date of borrowing and ends when the asset is put into service.

**Debt and Amortization**

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are included in other non-current assets.

**Unearned Income**

Operating revenues include rental income derived from leasing Port-owned properties. Amounts due from certain lease agreements are billed in advance and recognition of the related revenue is deferred and recognized over the appropriate lease term.

**Compensated Absences**

Employees accumulate vacation and sick leave at varying rates according to years of service. Upon termination, unused vacation not to exceed 300 hours is paid to the employee at the employee's current rate of pay. At retirement, unused vacation in excess of 300 hours and unused sick leave is considered in computing the years of service for retirement benefit purposes.

**Statement of Cash Flows**

For purposes of the statement of cash flows, cash and cash equivalents consist of demand deposits with banks, overnight repurchase agreements, and money market mutual funds.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**2. CASH AND INVESTMENTS**

The Port's investments and cash consist primarily of investments in direct obligations of the United States Treasury or agencies thereof and deposits with financial institutions.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Under state law, all deposits are secured by federal depository insurance or the pledge of securities held by the pledging banks agent in the Port's name. At June 30, 2011 and 2010, the carrying amount of the Port's deposits (demand deposits and time certificates of deposit) was \$43,787,050 and \$59,290,730 and the related bank balances were \$36,294,422 and \$57,326,212, respectively. Of the bank balances, \$1,000,000 was covered by federal depository insurance and \$35,294,422 and \$56,326,212 were covered by collateral held by the pledging banks' trust department or agent in the Port's name at June 30, 2011 and 2010, respectively.

**Investments**

The Port may invest idle funds as authorized by Louisiana Statutes and the Port's investment policy as follows:

- (a) United States bonds, treasury notes, certificates, or any other federally insured investment.
- (b) Time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana.
- (c) Mutual or trust funds, which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940 and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies.

The Port invests monies with the Louisiana Asset Management Pool (LAMP). LAMP is a nonprofit corporation organized under the laws of the State of Louisiana formed by an initiative of the State Treasurer in 1993. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investments policies are similar to those established by Rule 2-a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. LAMP's portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. government or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average of portfolio maturity of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days. The fair market value of investments is determined weekly to monitor any variances between amortized cost and market value. For purposes of determining participants' share, investments are valued at amortized cost. LAMP is designed to be highly liquid to provide immediate access to participants.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**2. CASH AND INVESTMENTS (continued)**

Cash and investments were included in the balance sheet as of June 30 as follows:

	2011	2010
Cash and cash equivalents	\$ 33,708,324	\$ 54,658,863
Investments - current assets	26,972,159	15,571,882
Restricted assets	27,377,527	27,823,826
	<u>\$ 88,058,010</u>	<u>\$ 98,054,571</u>

Included in cash and investments at June 30, were the following:

Securities Type	2011	2010
U.S. Treasury	\$ 20,564,956	\$ 20,367,225
U.S. Government Agency obligations	24,966,687	11,959,861
Money market mutual funds	6,812,571	7,456,601
LAMP	2,005,472	2,001,882
Deposits:		
Brokerage Cash Account	-	3,030,000
Certificates of deposit	1,000,000	1,610,139
Demand deposit with banks	32,708,324	51,628,863
Total cash and investments	<u>\$ 88,058,010</u>	<u>\$ 98,054,571</u>

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Port has a formal investment policy that limits investment maturities to three years as a means of managing its exposure to fair value losses arising from increasing interest rates. In addition, approximately 50% of the Port's portfolio shall be one year or less for liquidity reasons and interest rate volatility risk.

As of June 30, 2011, the Port had the following investments and maturities.

	Fair Value	Remaining Maturity (in Years)	
		Less Than One	1-2
U.S. Treasury Notes	\$ 20,564,956	\$ 5,263,087	\$ 15,301,869
U.S. Government Agencies	24,966,687	-	24,966,687
Total	<u>\$ 45,531,643</u>	<u>\$ 5,263,087</u>	<u>\$ 40,268,556</u>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**2. CASH AND INVESTMENTS (continued)**

As of June 30, 2010, the Port had the following investments and maturities.

	Fair Value	Remaining Maturity (in Years)	
		Less Than One	1-2
U.S. Treasury Notes	\$ 20,367,225	\$ 15,088,184	\$ 5,279,041
U.S. Government Agencies	11,959,861	-	11,959,861
Total	\$ 32,327,086	\$ 15,088,184	\$ 17,238,902

The Port's investment in U.S. Government Agencies consists mainly of fixed income securities.

	Cost Basis	Market Value
	June 30, 2011	June 30, 2011
Federal National Mortgage Association	\$ 14,903,017	\$ 14,957,180
Federal Home Loan Mortgage Corp	8,999,574	9,014,116
Federal Home Loan Bank Cons	1,000,000	995,390
Total	\$ 24,902,591	\$ 24,966,686

**Credit Risk**

State law limits investments in securities issued, or backed by United States Treasury obligations, and U.S. Government instrumentalities, which are federally sponsored. The Port's investment policy does not further limit its investment choices. LAMP has been rated AAA by Standard & Poor's Corporation.

**3. DUE FROM OTHER GOVERNMENTS**

Due from other governments consists of 1) state funds from the Louisiana Department of Transportation and Development for facility planning and control projects, flood control projects and port priority projects and 2) federal funds receivable from the Federal Emergency Management Agency (FEMA). At June 30, 2011 and 2010, amounts due are as follows:

	2011	2010
Louisiana Department of Transportation and Development	\$ 5,606,100	\$ 10,386,307
U.S. Department of Homeland Security	1,275,540	1,657,224
	\$ 6,881,640	\$ 12,043,531

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**4. PROPERTY, NET**

A summary of changes in property is as follows:

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
Property not being depreciated:				
Land and improvements	\$ 72,824,611	\$ -	\$ (53,094)	\$ 72,771,517
Construction in progress	53,668,051	50,883,728	(18,515,487)	86,036,292
Total property not being depreciated	<u>126,492,662</u>	<u>50,883,728</u>	<u>(18,568,581)</u>	<u>158,807,809</u>
Property being depreciated:				
Property (wharves, buildings, etc.)	714,849,606	8,960,831	-	723,810,437
Furniture and fixtures	8,754,259	368,382	(339,230)	8,783,411
Equipment	15,575,169	9,407,506	(1,280,907)	23,701,768
Total property being depreciated	<u>739,179,034</u>	<u>18,736,719</u>	<u>(1,620,137)</u>	<u>756,295,616</u>
Less accumulated depreciation				
Property	(307,370,235)	(18,597,167)	-	(325,967,402)
Furniture and fixtures	(7,163,943)	(369,368)	165,365	(7,367,946)
Equipment	(9,312,849)	(687,263)	305,451	(9,694,661)
Total accumulated depreciation	<u>(323,847,027)</u>	<u>(19,653,798)</u>	<u>470,816</u>	<u>(343,030,009)</u>
Total property being depreciated, net	<u>415,332,007</u>	<u>(917,079)</u>	<u>(1,149,321)</u>	<u>413,265,607</u>
Property, net	\$ <u>541,824,669</u>	\$ <u>49,966,649</u>	\$ <u>(19,717,902)</u>	\$ <u>572,073,416</u>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**4. PROPERTY, NET (continued)**

A summary of changes in property is as follows:

	<u>July 1, 2009</u>		<u>Additions</u>		<u>Deletions</u>		<u>June 30, 2010</u>
Property not being depreciated:							
Land and improvements	\$ 74,098,457	\$	-	\$	(1,273,846)	\$	72,824,611
Construction in progress	<u>37,357,491</u>		<u>33,735,601</u>		<u>(17,425,041)</u>		<u>53,668,051</u>
Total property not being depreciated	<u>111,455,948</u>		<u>33,735,601</u>		<u>(18,698,887)</u>		<u>126,492,662</u>
Property being depreciated:							
Property (wharves, buildings, etc.)	702,607,081		12,242,525		-		714,849,606
Furniture and fixtures	8,200,262		590,317		(36,320)		8,754,259
Equipment	<u>13,078,027</u>		<u>2,552,989</u>		<u>(55,847)</u>		<u>15,575,169</u>
Total property being depreciated	<u>723,885,370</u>		<u>15,385,831</u>		<u>(92,167)</u>		<u>739,179,034</u>
Less accumulated depreciation							
Property	(288,771,549)		(18,598,686)		-		(307,370,235)
Furniture and fixtures	(6,758,078)		(442,185)		36,320		(7,163,943)
Equipment	<u>(8,774,978)</u>		<u>(593,718)</u>		<u>55,847</u>		<u>(9,312,849)</u>
Total accumulated depreciation	<u>(304,304,605)</u>		<u>(19,634,589)</u>		<u>92,167</u>		<u>(323,847,027)</u>
Total property being depreciated, net	<u>419,580,765</u>		<u>(4,248,758)</u>		<u>-</u>		<u>415,332,007</u>
Property, net	\$ <u>531,036,713</u>	\$	<u>29,486,843</u>	\$	<u>(18,698,887)</u>	\$	<u>541,824,669</u>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**4. PROPERTY, NET (continued)**

Construction in progress consists of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Hurricane Katrina Damages	\$ 15,809,568	\$ 14,354,296
Wharf, Shed & Yard Rehabs	6,445,138	3,126,705
Reimbursable Damages	97,285	-
Storm Damages	139,252	-
Roadways	26,150	-
Industrial Properties	91,103	-
Alabo Street Terminal Improvements	8,493,822	7,897,440
Fencing	285	285
Security	2,826,438	1,872,356
Drainage	849,348	226,726
Dredge	42,157	6,543,037
Cranes	17,994,249	10,528,986
Cruise Terminal Improvements	10,053,852	1,402,092
Bridges	3,579,562	1,805,506
Utilities	171,357	362,931
Cold Storage	17,316,803	4,747,648
Other	2,099,923	800,043
	<u>\$ 86,036,292</u>	<u>\$ 53,668,051</u>

Total interest incurred by the Port was \$5,122,492 and \$5,592,930 for the years ended June 30, 2011 and 2010, respectively. There were no earnings on invested proceeds of the debt as of June 30, 2011 and 2010, respectively. The differences between interest incurred on debt for capital assets and interest earnings on invested proceeds of the debt totaled \$5,122,492 and \$5,592,930 for the years ended June 30, 2011 and 2010, respectively. No amounts were included as part of the cost of capital assets under construction in progress for either of the years ended June 30, 2011 or 2010.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**5. NON-CURRENT LIABILITIES**

**Long-Term Debt**

Long-term debt consists of the following at June 30, 2011 and 2010:

	2011	2010
Bonds payable	\$ 106,760,000	\$ 106,785,000
Premium and discounts	(1,299,889)	(790,904)
Deferred refunding loss	(754,407)	(784,464)
	<u>104,705,704</u>	<u>105,209,632</u>
Less current portion	(325,000)	(340,000)
Long-term debt noncurrent	\$ <u>104,380,704</u>	\$ <u>104,869,632</u>

On June 1, 2001, the Port issued \$30,800,000 Port Facility Revenue Bonds, Series 2001. The bonds mature in the year 2021. Proceeds from such bonds were expended for the acquisition; construction and completion of certain dock and wharf improvements for the development of the Napoleon Avenue Container Terminal. The bonds are limited obligations of the Port and are payable solely from and secured by a pledge of the net revenues derived by the Port from the entire port and harbor system and certain funds and accounts created under the bond indenture. In addition, the Series 2001 Bonds are secured by a Financial Guaranty Insurance Policy. Interest on the bonds is payable semi-annually on April 1 and October 1. Interest rates vary from 4.25 percent to 5.625 percent. All bonds may be redeemed prior to their maturities in accordance with provisions of the bond indenture. The redemption price of some of the bonds includes a premium of 1 percent. Port Facility Revenue Bonds, Series 2001 was refunded and replaced with Revenue Bonds, Series 2011 on May 3, 2011 (see below).

On August 1, 2002, the Port issued \$31,000,000 Port Facility Revenue Bonds, Series 2002. The bonds mature in the year 2032. Proceeds from such bonds were expended for the acquisition; construction and completion of certain dock and wharf improvements for the development of the Napoleon Avenue Container Terminal. The bonds are limited obligations of the Port and are payable solely from and secured by a pledge of the net revenues derived by the Port from the entire port and harbor system and certain funds and accounts created under the bond indenture. In addition, the Series 2002 Bonds are secured by a Financial Guaranty Insurance Policy. Interest on the bonds is payable semi-annually on April 1 and October 1. Interest rates vary from 3.00 percent to 4.50 percent. All bonds may be redeemed prior to their maturities in accordance with provisions of the bond indenture. The redemption price of some of the bonds includes a premium of 1 percent.

On July 15, 2003, the Port issued \$34,000,000 of Port Facility Revenue Bonds, Series 2003. The bonds mature in the year 2033. Proceeds from such bonds are to be used to finance certain capital improvements to the Port Complex, including but not limited to, the acquisition and construction of parking and cruise terminal facilities, and to reimburse the Board for certain capital expenditures previously made. The bonds are limited obligations of the Port and are payable solely from and secured by a pledge of the net revenues derived by the Port from the entire port and harbor system and certain funds and accounts created under the bond indenture.



**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**5. NON-CURRENT LIABILITIES (continued)**

**Long-Term Debt (continued)**

In addition, the Series 2003 Bonds are secured by a Financial Guaranty Insurance Policy. Interest on the bonds is payable semi-annually on April 1 and October 1. Interest rates vary from 3.00 percent to 5.00 percent. Certain of the bonds may be redeemed prior to their maturities in accordance with provisions of the bond indenture. The redemption price of some of the bonds includes a premium of 1 percent.

On April 21, 2005, the Port issued \$19,355,000 of Port Facility Revenue Bonds, Series 2005. The bonds mature in the year 2034. Proceeds from such bonds are to be used to finance capital improvements to the Port Complex, including but not limited to, a cruise terminal complex on the Erato Street wharf, related parking and operational facilities, and other port facilities within its jurisdiction. Interest on the bonds is payable quarterly on March 1, June 1, September 1, and December 1. The interest rate varies with the Securities Industry and Financial Markets Association (SIFMA) index. The rate as of June 30, 2010 was 0.34 percent. The bonds are supported through a letter of credit agreement. The 2005 Series Revenue Bonds are subordinate to the 2008, 2003, 2002 and 2001 Series Revenue Bonds. Port Facility Revenue Bonds, Series 2005 was refunded and replaced with Revenue Bonds, Series 2010 on September 1, 2010 (see below).

On May 29, 2008, the Port issued \$13,640,000 of Port Facility Refunding Revenue Bonds, Series 2008. The bonds mature in the year 2038. Proceeds were used to refund \$8,110,000, \$1,340,000 and \$1,775,000 of the Revenue Bonds Series 2001, 2002 and 2003, respectively. The bonds are limited obligations of the Port and are payable solely from and secured by a pledge of the net revenues derived by the Port from the entire port and harbor system and certain funds and accounts created under the bond indenture. In addition, the Series 2008 Bonds are secured by a Financial Guaranty Insurance Policy. Interest on the bonds is payable semi-annually on April 1 and October 1. The interest rate is fixed at 5.125 percent. Certain of the bonds may be redeemed prior to their maturities in accordance with provisions of the bond indenture at par. The net proceeds from this issue were deposited in an irrevocable trust with an escrow agent to provide debt service payments on the refunded portions of Revenue Bonds Series 2001, 2002 and 2003 thru April 1, 2014. The advance refunding met the requirements of an in-substance defeasance and the refunded bonds were removed from the Port's financial statements. The reacquisition price exceeded the net carrying amount on the bonds refunded resulting in a loss on refunding of \$844,578, which will be amortized over the life of the new issue using the effective interest method.

This advance refunding was undertaken to reduce total debt service payments over the next 6 years by \$9,166,309 and resulted in an economic loss of \$1,257,288. For the year ended June 30, 2011, remaining principal on this defeased debt was \$1,495,000.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**5. NON-CURRENT LIABILITIES (continued)**

**Long-Term Debt (continued)**

On September 1, 2010 the Port issued \$18,090,000 of Subordinate Lien Variable Rate Revenue Bonds, Series 2010. The purpose of the issue was to provide funds to refund the Board's Subordinate Lien Variable Rate Revenue Bonds, Series 2005, outstanding in the amount of \$18,095,000. The interest rate on the Series 2010 bonds varies with the Securities Industry and Financial Markets Association (SIFMA) index. These bonds are supported with a credit enhancement letter of credit by First NBC and a support letter of credit with the Federal Home Loan Bank of Dallas, Irving, Texas. Affirmative and negative covenants are outlined on pages twenty-two through twenty-six of the Reimbursement agreement between the Port and First NBC. The bond issue is subordinate to the 2011, 2008, 2003 and 2002 Series Revenue Bonds.

On May 3, 2011 the Port issued \$15,585,000 of Board of Commissioners of the Port of New Orleans Port Facility Refunding Revenue Bonds, Series 2011. The purpose of the issue was to provide sufficient funds to refund all of the Port's outstanding Port Facility Revenue Bonds, Series 2001 in the outstanding amount of \$15,290,000. The Series 2011 bonds were purchased by Regions Bank through the placement agent, Morgan Keegan & Company, Inc. The interest rate is fixed at 4.22%. Covenants with Regions bank are contained in the commitment letter dated March 13, 2011. The refunding was entered into for the reason of future interest savings.

Operating revenues are pledged as security for all revenue bond issues.

Debt service requirements relating to bonds outstanding are as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 325,000	\$ 4,284,993	\$ 4,609,993
2013	340,000	4,342,615	4,682,615
2014	1,580,000	4,341,995	5,921,995
2015	2,860,000	4,284,933	7,144,933
2016	2,975,000	4,183,218	7,158,218
2017-2021	16,885,000	19,123,392	36,008,392
2022-2026	21,455,000	15,316,955	36,771,955
2027-2031	27,260,000	10,134,127	37,394,127
2032-2036	27,215,000	4,291,980	31,506,980
2037-2038	5,865,000	454,588	6,319,588
	<u>\$ 106,760,000</u>	<u>\$ 70,758,796</u>	<u>\$ 177,518,796</u>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**5. NON-CURRENT LIABILITIES (continued)**

**Special Community Disaster Loan Payable**

The Port was approved for and made draw downs of \$5,627,230 in April and May 2006 and \$1,921,876 in September 2006 under the Community Disaster Loan Act (the Loan Act). Proceeds from the borrowings were used to pay current operations of the Port relating to essential services, including police and fire protection, trash collection, and other services related to protecting and promoting the health, safety and public welfare of the community. The loan bore interest at the latest five-year Treasury rate at the time of the closing date of the loan, plus one percent. Operating revenues were pledged as security for the loans. In November 2010, the principal and accumulated outstanding balance on the Special Community Disaster loan of \$7,549,106 and accrued interest of \$923,683 were forgiven by FEMA. The total forgiveness of debt of \$8,472,789 is included in the statement of revenues, expenses and changes in net assets for the year ended June 30, 2011.

**Debt Service Assistance Program Loan Payable**

In July 2006, the Port and the State of Louisiana (the State) entered into a Cooperative Endeavor Agreement whereby the State agreed to lend up \$14,365,679 from State funds on deposit in the Debt Service Assistance Fund, authorized by the Gulf Opportunity Zone Act of 2005 and Act 41 of the First Extraordinary Session of the Louisiana Legislature of 2006, to assist in payment of debt service requirements from 2006 through 2008 due to disruption of revenue streams caused by Hurricanes Katrina and Rita. Loan payments were made on behalf of the Port by the State as debt service became due. No principal or interest shall be payable during the initial five year period of the loan. After the expiration of the initial five year period, the loan shall bear interest at a fixed rate of 4.64 percent. Principal payments on the bonds begin in July 2012 and the loan will mature in July 2026. Interest is payable semi-annually on January 15 and July 15 beginning January 2012. The loan may be prepaid without penalty or premium. The Port has the right to request one extension of its obligation to begin payments under the loan not to exceed five years. As of June 30, 2011, the Port has drawn down \$14,365,679 on this agreement.

Debt service requirements relating to the bond are as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	\$ 333,284	\$ 333,284
2013	683,982	650,699	1,334,681
2014	715,718	618,226	1,333,944
2015	748,928	584,246	1,333,174
2016-2020	4,299,283	2,353,719	6,653,002
2021-2025	5,393,674	1,233,938	6,627,612
2026-2027	2,524,094	118,446	2,642,540
	<u>\$ 14,365,679</u>	<u>\$ 5,892,558</u>	<u>\$ 20,258,237</u>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**5. NON-CURRENT LIABILITIES (continued)**

**Capital Lease**

Capital lease obligations consist of the following at June 30, 2011 and 2010:

	2011		2010
Capital leases payable	\$ 3,870,786	\$	4,693,983
Less current portion	(467,181)		(495,809)
Long term portion	<u>3,403,605</u>		<u>4,198,174</u>

Lease payments relating to capital leases outstanding are as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 467,181	\$ 231,645	\$ 698,826
2013	818,741	183,643	1,002,384
2014	832,254	136,668	968,922
2015	861,345	88,275	949,620
2016	891,265	38,583	930,848
	<u>\$ 3,870,786</u>	<u>\$ 678,814</u>	<u>\$ 4,550,600</u>

On November 17, 2000, the Port entered into a capital lease agreement to purchase two new container cranes at an aggregate cost of \$12,500,000 at 5.75 percent interest. The cranes were placed in service during the year ended June 30, 2004. At June 30, 2011 and 2010, the gross capitalized cost including capitalized interest was \$11,604,124 with accumulated amortization of \$2,258,038 and \$1,920,261, respectively. There are thirty equal semi-annual payments of \$628,454 for principal and interest with the first payment due July 1, 2001. The remaining proceeds of the capital lease were applied to the outstanding principal balance of the capital lease during October, 2004. This reduced the remaining semi-annual payments to \$464,075 for principal and interest with the first payment due January 1, 2005.

During the year ended June 30, 2008, the Port entered into capital lease agreements for computer equipment at an aggregate cost of \$115,216 at interest rates ranging from 1.46 percent to 4.39 percent. The monthly lease payments are \$3,297 for thirty-six month period ending January 1, 2011.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**5. NON-CURRENT LIABILITIES (continued)**

**Capital Lease (continued)**

During the year ended June 30, 2009, the Port entered into capital lease agreements for computer equipment at an aggregate cost of \$113,248 at interest rates ranging from 2.62 percent to 4.30 percent. The monthly lease payments are \$3,287 for thirty-six month period ending September 1, 2011.

During the year ended June 30, 2010, the Port entered into four capital lease agreements for computer equipment at an aggregate cost of \$408,467 at interest rates ranging from 4.07 percent to 7.59 percent. The monthly lease payments range from \$1,251 to \$3,417. CSI 6 is for thirty- six-month period ending April 1, 2012. CSI 8 is for forty- eight- month period ending June 1, 2013. CSI 10 is for forty- eight- month period ending February 1, 2014. CSI 11 is for sixty- month period ending February 1, 2015.

During the year ended June 30, 2011, the Port entered into capital lease agreements for an Allfax copier at an aggregate cost of \$24,250 at interest rate of 4.5%. The monthly lease payments are \$450 for sixty month period ending December 17, 2015.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**5. NON-CURRENT LIABILITIES (continued)**

**Changes in Non-Current Liabilities**

Non-current liabilities activity for the years ended June 30, 2011 and 2010 are as follows:

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2011</u>	<u>Due within one year</u>
Bonds payable:					
Revenue bonds	\$ 106,785,000	\$ 33,360,000	\$ (33,385,000)	\$ 106,760,000	\$ 325,000
Bond premium and discounts	(790,904)	(527,922)	18,937	(1,299,889)	-
Refunding loss	(784,464)	-	30,057	(754,407)	-
Total bonds payable	105,209,632	32,832,078	(33,336,006)	104,705,704	325,000
Community disaster loan payable	7,549,106	-	(7,549,106)	-	-
Accrued interest payable	872,317	51,366	(923,683)	-	-
Debt service assistance program	14,365,679	-	-	14,365,679	-
Capital leases payable	4,693,983	146,428	(969,625)	3,870,786	467,181
HPD Pension Liability	1,087,718	685,976	-	1,773,694	-
Net post employment benefit obligation	1,299,688	359,886	-	1,659,574	-
Compensated absences	1,511,720	118,286	(141,807)	1,488,199	105,000
	<u>\$ 136,589,843</u>	<u>\$ 34,194,020</u>	<u>\$ (42,920,227)</u>	<u>\$ 127,863,636</u>	<u>\$ 897,181</u>

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2010</u>	<u>Due within one year</u>
Bonds payable:					
Revenue bonds	\$ 107,115,000	\$ -	\$ (330,000)	\$ 106,785,000	\$ 340,000
Bond premium and discounts	(829,436)	-	38,532	(790,904)	-
Refunding loss	(814,521)	-	30,057	(784,464)	-
Total bonds payable	105,471,043	-	(261,411)	105,209,632	340,000
Community disaster loan payable	7,549,106	-	-	7,549,106	-
Accrued interest payable	656,820	215,497	-	872,317	-
Debt service assistance program	14,365,679	-	-	14,365,679	-
Capital leases payable	4,809,252	408,467	(523,736)	4,693,983	495,809
Net pension obligation	1,146,260	-	(58,542)	1,087,718	-
Net post employment benefit obligation	599,758	699,930	-	1,299,688	-
Compensated absences	1,540,837	78,809	(107,926)	1,511,720	105,000
	<u>\$ 136,138,755</u>	<u>\$ 1,402,703</u>	<u>\$ (951,615)</u>	<u>\$ 136,589,843</u>	<u>\$ 940,809</u>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**6. RISK MANAGEMENT, CONTINGENCIES AND COMMITMENTS**

The Port is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Port carries commercial liability and property insurance. The Port is self-insured for workers' compensation and general maritime claims ("Jones Act"). The Port continues to be liable for each such claim up to \$1,000,000, with judgments and settlements over the \$1,000,000 limit being covered by the Port's umbrella liability policy up to \$50,000,000 for each occurrence. For the years ended June 30, 2011 and 2010, the Port's expenses for workers' compensation and other liability claims were \$275,416 and \$1,431,423, respectively. There were no expenses related to police professional liability incurred during 2011 and 2010. For each of the past three years, there were no settlements that exceeded the Port's insurance coverage.

As of June 30, 2011, the Port has determined, through an analysis of historical experience, the adequacy of the liability recorded to cover all losses and claims, both incurred and reported and incurred but not reported, under its self-insurance programs. These amounts are not discounted.

A summary of activity in the liability for claims is as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 1,344,248	\$ 3,442,500	\$ 2,017,500
Provision for claims	275,416	1,431,423	2,887,824
Benefit payments, net of recoveries	(495,072)	(3,529,675)	(1,462,824)
Balance, end of year	<u>\$ 1,124,592</u>	<u>\$ 1,344,248</u>	<u>\$ 3,442,500</u>

The Port is a party to various legal proceedings incidental to its business. There are several lawsuits pending in which the Board is named as a defendant by longshoremen claiming asbestosis-related injuries because the Board at one time had asbestos materials cross its wharves. Certain other claims, suits and complaints arising in the ordinary course of business have been filed or are pending against the Port. The resolution of these matters is not expected to have a material adverse effect on the financial statements of the Port.

The Port is also a party to various legal proceedings related to Hurricane Katrina. These lawsuits are currently in the early stages and the outcome cannot be estimated at this time, though preliminary assessments of the lawsuits indicate little likelihood of success against the Port.

As part of the Port's long-term capital construction program, commitments related to such capital construction projects were approximately \$176.4 million and \$94.3 million as of June 30, 2011 and 2010, respectively.

The Port receives financial assistance directly from Federal agencies which are subject to audit and final acceptance by these agencies. In the opinion of management, amounts that might be subject to disallowance upon final audit, if any, would not have a material effect on the Port's financial position.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**7. REVENUES AND LEASES**

Revenues of the Port are reported net of estimated uncollectible amounts. Total estimated uncollectible amounts related to revenues were \$1,096,238 and \$1,111,852 for the years ended June 30, 2011 and 2010, respectively. The Port leases to others substantially all of its land, property and equipment under various operating lease agreements. For the year ended June 30, 2011, two lessees accounted for 21% and 12% of operating revenues, respectively. For the year ended June 30, 2010, two lessees accounted for 23% and 13% of operating revenues, respectively. Operating lease rental income was \$22,444,639 and \$21,459,363 during the years ended June 30, 2011 and 2010, respectively.

As of June 30, 2011, future minimum rental payments to be received under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows:

2012	\$ 22,129,565
2013	17,655,058
2014	11,228,240
2015	7,578,047
2016	6,996,184
Thereafter	<u>38,921,009</u>
Total future minimum lease payments	<u>\$ 104,508,103</u>



**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**8. RETIREMENT PLANS**

Substantially all of the Port's employees are required by State law to participate in retirement plans administered by the Louisiana State Employees' Retirement System ("LASERS") or the Harbor Police Employees' Retirement System ("HPERS"). LASERS and HPERS are both single employer defined benefit plans.

Disclosures relating to these plans are as follows:

**A. LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM**

The plan provides for a retirement option designated as the Deferred Retirement Option Plan (DROP). This option permits LASERS members to continue working at their state jobs for up to three years while in a retired status. DROP allows these retirees to accumulate retirement benefits in a special account for later distribution.

Funding policy - The LASERS is a defined benefit contributory pension plan to which employees contributed 7.5% of their salaries if hired prior to July 1, 2006 and 8.0% if hired after July 1, 2006 for the years ended June 30, 2011 and 2010 and the Port contributed 22% and 18.6% of the employees' salaries toward future benefits respectively for the years ended June 30, 2011 and 2010, respectively. Provisions for employer and employee contributions are in LRS 42:651; 712; 712.1; 712.3.

Ten-year historical trend information showing the LASERS's progress in accumulating sufficient assets to pay benefits when due is presented in the LASERS's June 30, 2008 audited financial reports. The LASERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, LA 70804-4213.

Total contributions for the years ended June 30, 2011, 2010 and 2009 were \$2,977,989, \$2,560,221 and \$2,662,090, respectively. These amounts are equal to the required contributions for each of these three years. Contributions for the year ended June 30, 2011 consisted of employee contributions of \$762,749 and employer contributions of \$2,215,240. Contributions for the year ended June 30, 2010 consisted of employee contributions of \$740,188 and employer contributions of \$1,820,033.

**B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM**

*Plan Description* - All commissioned members and certain employees of the Harbor Police Department of the Port who are under the age of 50 on the date of employment are eligible to participate in the HPERS, established within Title 11 Chapter 3 of the Louisiana Revised Statutes, a single employer defined benefit pension plan administered by an eight member Board of Trustees.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**8. RETIREMENT PLANS (continued)**

The Port's total payroll for the years ended June 30, 2011 and 2010 was \$15,605,302 and \$14,884,306, respectively, of which \$1,490,146 and \$1,678,247 in covered payroll, respectively, related to participants in the HPERS.

Member benefits are equal to 3 1/3% of average final compensation, as defined, multiplied by creditable service years, not to exceed 100% of final salary. However, if a person retires before age 50, the benefit is 2 1/2% of average final compensation, as defined, multiplied by creditable service years, not to exceed 85% of final salary. Members are eligible to retire if hired before July 1, 2006 at any age with 30 years of service, at age 60 with 10 years of service and at age 45 with 20 years of service. If members are hired after July 1, 2006, members are eligible to retire at age 60 with 5 years of service or more. The HPERS also provides benefits for surviving spouses and disabled members. If a member resigns from the Police Department before retirement, accumulated employee contributions are refunded to the employee without interest. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Board of Trustees subject to certain constraints.

The plan provides for a retirement option designated as the Deferred Retirement Option Plan (DROP). This option permits HPERS members to continue working at their jobs for up to five years while in a retired status. DROP allows these retirees to accumulate retirement benefits in a special account for later distribution.

The HPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Harbor Police Retirement System, Post Office Box 60046, New Orleans, LA 70160.

*Funding Policy* - Employees are required to contribute 7% of their covered payroll to the HPERS. The Port is required to make contributions to the HPERS at actuarially determined rates expressed as a percentage of members' covered payroll, not to exceed 13%. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial method until assets exceed accrued actuarial liabilities, at which point the aggregate actuarial cost method is used. The Port funded (including fines) 12.84% and 13.29% of the members' covered payroll for fiscal years ended June 30, 2011 and 2010, respectively.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**8. RETIREMENT PLANS (continued)**

*Annual Pension Cost and Net Pension Obligation* - The Port's annual pension cost and net pension obligation to HPERs are as follows:

	2011	2010
Annual required contribution	\$ 982,530	\$ 694,128
Interest on net pension obligation	76,140	45,235
Adjustment to annual required contribution	(144,078)	(80,324)
Annual pension cost	914,592	659,039
Contributions made	(228,616)	(217,531)
Increase in net pension obligation	685,976	441,508
Net pension obligation, beginning of year	1,087,718	646,210
Net pension obligation, end of year	<u>\$ 1,773,694</u>	<u>\$ 1,087,718</u>

The annual required contributions for 2011 and 2010 were determined based on actuarial valuations using the aggregate actuarial cost method. Because the method does not identify or separately amortize unfunded actuarial liabilities, information about the funded status is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status of the Plan. The actuarial assumptions included (a) the determination of life expectancy based on the 1971 Group Annuity Mortality Table, (b) the determination of participant retirements based on an expected retirement age of 63 years, (c) an assumed average rate of return on investment of 7.0%, and (d) projected salary increases of 5% per year (2.5% increase for inflation and 2.5% increase for seniority and merit raises).

The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period.

**Three-Year Trend Information**

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Benefit)
2009	\$ 654,737	35.7	\$ 646,210
2010	\$ 659,040	33.0	\$ 1,087,719
2011	\$ 914,592	25.0	\$ 1,773,694

As of June 30, 2011, the most recent actuarial valuation date, the plan was 79.2% funded. The actuarial accrued liability for benefits was \$16.1 million, and the actuarial value of assets was \$12.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$4.2 million.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**8. RETIREMENT PLANS (continued)**

The covered payroll (annual payroll of active employees covered by the plan) was \$1.5 million, and the ratio of the UAAL to the covered payroll was 280.0%.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents current year information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. Multiyear trend information will be presented in future years.

The following is a summary of the statement of plan net assets available for benefits as of June 30, 2011 and 2010 and changes in net assets for the years then ended:

<u>Statement of Plan Net Assets</u>	<u>2011</u>	<u>2010</u>
Investments at fair value	\$ 10,701,893	\$ 9,501,791
Cash equivalents - LAMP	276,472	342,553
Contributions receivable	45,151	45,291
Liabilities	(12,972)	(25,764)
Net assets available for benefits	<u>\$ 11,010,544</u>	<u>\$ 9,863,871</u>
<u>Statement of Changes in Net Assets</u>	<u>2011</u>	<u>2010</u>
Additions (Reductions):		
Contributions	\$ 347,173	\$ 334,624
Investment income including		
Unrealized gains (losses)	2,065,926	443,057
Total additions (Reductions)	<u>2,413,099</u>	<u>777,681</u>
Deductions:		
Benefits paid	887,713	804,967
DROP Benefit payments	251,950	-
Administrative expenses	126,763	125,846
Total deductions	<u>1,266,426</u>	<u>930,813</u>
Increase (decrease) in plan net assets	1,146,673	(153,132)
Net assets available for benefits:		
Beginning of year	9,863,871	10,017,003
End of year	<u>\$ 11,010,544</u>	<u>\$ 9,863,871</u>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**9. OTHER POST-EMPLOYMENT BENEFITS**

**Plan Description.** The Port of New Orleans medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement.

The employees are covered by a retirement system whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 30 years of service at any age; age 55 and 25 years of service; or, age 60 and 10 years of service. For employees hired on or after July 2, 2006, the retirement eligibility is age 60 and 10 years of service. Complete plan provisions are in the official plan documents.

There is a closed group of 67 retirees for whom the employer currently pays approximately 80% of the life insurance premium; there will not be any additions to this group in the future. The ARC for this group is provided in the following table. You will note that the ARC is less than the current annual premiums which are being paid by the employer, thus generating a negative net ARC after crediting the employer paid retiree premiums. All of the assumptions used for the valuation of the medical benefits have been used except for the trend assumption; zero trend was used for life insurance.

**Contribution Rates.** Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

**Fund Policy.** Until Fiscal Year Ending June 30, 2008, the Port of New Orleans recognized the cost of providing post-employment medical and life benefits (the Port of New Orleans's portion of the retiree medical and life benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. Effective with the Fiscal Year beginning July 1, 2008, the Port of New Orleans implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions* (GASB 45). The funding policy is not to fund the ARC except to the extent of the current year's retiree funding costs.

**Health Care.** In Fiscal Year Ending June 30, 2011, the Port of New Orleans's portion of health care funding cost for retired employees totaled \$820,404 and life totaled \$73,944. These amounts were applied toward the Net OPEB Benefit Obligation as shown in the table on the following page.

**Annual Required Contribution.** The Port of New Orleans's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The total ARC for the fiscal year beginning July 1, 2010 is \$1,203,465 (medical), and \$50,577 (life) as set forth below:

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**9. OTHER POST-EMPLOYMENT BENEFITS (continued)**

	<u>Medical</u>	<u>Life</u>
Normal Cost	\$ 326,293	\$ -
30-year UAL amortization amount	877,172	50,577
Annual required contribution (ARC)	\$ <u>1,203,465</u>	\$ <u>50,577</u>

**Net Post-employment Benefit Obligation (Asset):** The table below shows Port of New Orleans' Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending June 30, 2011:

	<u>Medical</u>	<u>Life</u>
1.Beginning Net OPEB Obligation (Asset) July 1, 2010	\$ 1,299,687	\$ (57,869)
2.Annual required contribution	1,203,465	50,577
3.Interest on Net OPEB Obligation (Asset): (.04 x [1])	51,987	(2,315)
4.ARC Adjustment: ([1]/17.292)	75,161	(3,347)
5.OPEB Cost: ([2]+[3]-[4])	<u>1,180,291</u>	<u>51,609</u>
6.Contribution	-	-
7.Current year retiree premium	<u>820,404</u>	<u>73,944</u>
8.Change in Net OPEB Obligation: ([5]-[6]-[7])	359,887	(22,335)
9.Ending Net OPEB Obligation (Asset) June 30, 2011: ([1]+[8])	<u>\$ 1,659,574</u>	<u>\$ (80,204)</u>

The total ARC for the fiscal year beginning July 1, 2010 is \$1,313,272 for medical, and \$64,638 for life, as set forth below:

	<u>Medical</u>	<u>Life</u>
Normal Cost	\$ 357,555	\$ -
30-year UAL amortization amount	955,717	64,638
Annual required contribution (ARC)	\$ <u>1,313,272</u>	\$ <u>64,638</u>

**Net Post-employment Benefit Obligation (Asset):** The table below shows Port of New Orleans's

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**9. OTHER POST-EMPLOYMENT BENEFITS (continued)**

Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending June 30, 2010:

	<u>Medical</u>	<u>Life</u>
Beginning Net OPEB Obligation (Asset)		
July 1, 2009	\$ 630,207	\$ (30,449)
Annual required contribution	1,313,272	64,638
Interest on Net OPEB Obligation (Asset)	25,208	(1,218)
ARC Adjustment	(36,445)	(1,761)
OPEB Cost	1,302,035	65,181
Contribution	-	-
Current year retiree premium	(632,555)	(92,601)
Change in Net OPEB Obligation	669,480	(27,420)
Ending Net OPEB Obligation (Asset)		
June 30, 2010	<u>\$ 1,299,687</u>	<u>\$ (57,869)</u>

The following table shows Port of New Orleans's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability (asset):

Post Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation (Asset)
Medical	June 30, 2011	\$ 1,180,291	69.51%	\$1,659,574
Life	June 30, 2011	\$ 51,609	143.28%	\$(80,204)
Medical	June 30, 2010	\$ 1,302,035	48.58%	\$1,299,687
Life	June 30, 2010	\$ 65,181	142.07%	\$(57,869)

**Funded Status and Funding Progress.** In the fiscal year ending June 30, 2011, the Port of New Orleans made no contributions to its post employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of June 30, 2011, the most recent valuation, the Actuarial Accrued Liability (AAL) was \$15,168,274 (medical), and \$874,612 (life), which is defined as that portion, as determined by a particular actuarial cost method (the Port of New Orleans uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded in fiscal year 2010/2011, the entire actuarial accrued liability of \$15,168,274 (medical) and \$874,612 (life) was unfunded.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**9. OTHER POST-EMPLOYMENT BENEFITS (continued)**

	<u>Medical</u>	<u>Life</u>
Actuarial Accrued Liability (AAL)	\$ 15,168,274	\$ 874,612
Actuarial Value of Plan Assets	-	-
Unfunded Act. Accrued Liability (UAAL)	<u>\$ 15,168,274</u>	<u>\$ 874,612</u>
Funded Ratio (Act. Val. Assets/AAL)	<u>-</u>	<u>-</u>
 Covered Payroll (active plan members)	 <u>\$ 12,109,928</u>	 <u>\$ 13,100,142</u>
UAAL as a percentage of covered payroll	<u>125%</u>	<u>7%</u>

**Actuarial Methods and Assumptions.** Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the Port of New Orleans and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the Port of New Orleans and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Port of New Orleans and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

**Actuarial Cost Method.** The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

**Actuarial Value of Plan Assets.** Since the OPEB obligation has not as yet been funded, there are not any assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board Actuarial Standards of Practice Number 6 (ASOP 6), as provided in paragraph number 125 of GASB Statement 45.



**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**9. OTHER POST-EMPLOYMENT BENEFITS (continued)**

**Turnover Rate.** An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 10%. The rates for each age are below:

<u>Age</u>	<u>Percent Turnover</u>
18 - 25	20.0%
26 - 40	15.0%
41 - 54	9.0%
55+	7.0%

**Post employment Benefit Plan Eligibility Requirements.** It has been assumed that entitlement to benefits will commence upon actual retirement which, in turn, has been assumed to be four years after the initial retirement (D.R.O.P. entry) eligibility described in the section above entitled "Plan Description". These four years comprises three years in the D.R.O.P. plus one additional year. Medical benefits are provided to employees upon actual retirement. The employees are covered by a retirement system whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 30 years of service at any age; age 55 and 25 years of service; or, age 60 and 10 years of service. For employees hired on or after July 2, 2006, the retirement eligibility is age 60 and 10 years of service. Entitlement to benefits continue through Medicare to death.

**Investment Return Assumption (Discount Rate).** GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits. Since the ARC is not currently being funded and not expected to be funded in the near future, we have performed this valuation using a 4% annual investment return assumption.

**Health Care Cost Trend Rate.** The expected rate of increase in medical cost is based on projections performed by the Office of the Actuary at the Centers for Medicare & Medicaid Services as published in National Health Care Expenditures Projections: 2003 to 2013, Table 3: National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in January, 2004 by the Health Care Financing Administration ([www.cms.hhs.gov](http://www.cms.hhs.gov)). "State and Local" rates for 2008 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5.0% for 2016 and later.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**9. OTHER POST-EMPLOYMENT BENEFITS (continued)**

**Mortality Rate.** The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is a published mortality table which was designed to be used in determining the value of accrued benefits in defined benefit pension plans. Since GASB 45 requires the use of "unblended" rates, we have used the 94GAR mortality table described above to "unblend" the rates so as to reproduce the composite blended rate overall as the rate structure to calculate the actuarial valuation results for life insurance.

**Method of Determining Value of Benefits.** The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays 80% of the "base premium" (that is, not including the "buy up" additional portion) of the medical benefits for the retirees and dependents prior to Medicare eligibility at age 65. The medical rates provided applicable before Medicare eligibility at age 65 are "blended" rates for active and retired. Since GASB 45 mandates that "unblended" rates be used, we have estimated the "unblended" medical rates for retired before Medicare eligibility to be 130% of the blended rate. After Medicare eligibility, the employer pays 60% of the applicable premium for either the Hartford Senior Care Plan or the Humana HMO Medicare Advantage Plan. As of this valuation date, approximately 40% of the retirees over age 65 are in the Medicare Advantage Plan. It has been assumed that the same percentage will prevail in the future and that 40% of currently active employees and those currently retired who are before age 65 will elect the Medicare Advantage Plan. The Port of New Orleans has adopted a provision limiting the employer portion of the premium paid to 200% of the prevailing employer portion of the premium paid under the 2008 premium scale.

**10. CONDUIT DEBT**

From time to time, the Port has issued Industrial Revenue Bonds to provide assistance for private-sector entities for Port related projects that are deemed to be in the public interest. The Port is not obligated for repayment of the bonds. Accordingly, the bonds are not reported in the accompanying financial statements.

Industrial revenue bonds in the amount of \$35,600,000 were issued by the Port on July 1, 1981, for the account of Avondale Shipyards, Inc. (a wholly-owned subsidiary of Ogden Management Corporation) for the purpose of financing a floating drydock and support facilities to be moored within the jurisdiction of the Port as part of the public port. Industrial revenue bonds in the amount of \$36,250,000 were issued on June 1, 1983, to provide funds for the purpose of refunding the bonds issued on July 1, 1981. Industrial revenue bonds in the amount of \$36,250,000 were issued on April 1, 1994, to provide funds for the purpose of refunding the bonds issued on June 1, 1983, and will mature in 2014. The bonds are limited obligations of the Port, payable solely from and secured by a pledge of the revenues to be received pursuant to an Installment Sales Agreement and

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**10. CONDUIT DEBT (continued)**

by an unconditional guarantee by Ogden Management Corporation. The aggregate amount outstanding at June 30, 2011 is not readily determinable by the Port.

Port facility revenue bonds in the amount of \$3,700,000 were issued on June 8, 2000 for the account of New Orleans Steamboat Company for the purpose of constructing a facility within the jurisdiction of the Port as part of the public port. At June 30, 2011, \$2,800,000 is outstanding. The bonds are limited obligations of the Port, secured by a letter of credit issued by First Bank and Trust in New Orleans and a confirming letter of credit of the Federal Home Loan Bank in New Orleans for the account of New Orleans Steamboat Company.

Port facility revenue bonds in the amount of \$7,500,000 were issued on November 1, 2002 for the account of New Orleans Cold Storage and Warehouse Company Limited (NOCS) for the purpose of constructing a cold storage facility. At June 30, 2011, \$7,500,000 is outstanding. The bonds are limited obligations of the Port, secured by a letter of credit issued by the First Bank and Trust in New Orleans for the account of NOCS.

In March 2005, the Port entered into a cooperative endeavor agreement with the Louisiana Department of Economic Development (DED) and CG Railway, Inc. to provide a portion of the financing for an approximately \$43,500,000 rail car cargo facility. Under the agreement, the DED provided \$15,000,000 of the project costs through the issue of special project revenue bonds. Special Project Revenue Bonds in the amount of \$16,670,000 were issued on May 24, 2005 for this purpose. At June 30, 2011, \$9,220.00 is outstanding. The bonds are limited obligations of the Port, payable solely from and secured by the State of Louisiana.

The above agreement was amended in April 2006 as a result of the discontinuance of the dredging of siltation in and around the Mississippi River Gulf Outlet following Hurricane Katrina, which rendered many of the obligations under the agreement impossible and required that any items not needed by the Port for maritime commerce be sold and the proceeds turned over to the State of Louisiana to help defray the costs of the project. In September 2006, the Port sold some of the items declared as surplus to the Port's needs for maritime commerce to CG Railway, Inc. for \$2,500,000. This amount was submitted to the DED.

**11. NATURAL DISASTER**

On August 29, 2005, the New Orleans region suffered significant damage to property and lives when Hurricane Katrina struck the Gulf Coast area. The Port of New Orleans did not suffer the devastation that other public entities realized in the area, but did sustain damage to facilities and loss of revenue. The Port facilities along the river suffered moderate damage. Facilities along the Industrial Canal suffered severe damage. The Port had insurance in place to cover most of the property damage and business interruption insurance to offset some of the revenue loss.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**11. NATURAL DISASTER (continued)**

Costs of cleanup, repairs, litigation and other expenses amounted to \$83,996,000. As of June 30, 2010, the Port had received \$133,290,000 of insurance proceeds. The Port has reported cumulative business interruption insurance proceeds of \$12,465,338 recorded during the years ended June 30, 2010. The Port submitted a total claim in excess of \$180 million, including approximately \$18 million business interruption insurance. During 2011 the Port received \$2.3 million in additional insurance proceeds related to the damages sustained during Hurricane Katrina resulting in a net gain for the year of \$1.7 million. No additional insurance proceeds are expected.

**12. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 15, 2011, and determined that there were no subsequent events requiring disclosure.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/2011	12,182,061	16,461,720	4,279,659	74.00%	1,490,146	287.2%
06/30/2010	12,824,215	16,083,647	3,259,432	79.73%	1,678,247	194.2%
06/30/2009	12,824,215	16,083,647	3,259,432	79.73%	1,579,359	206.4%
06/30/2008	13,232,258	14,824,016	1,591,758	89.26%	1,455,889	109.3%

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

**SCHEDULE OF FUNDING PROGRESS**

**RETIREE HEALTH INSURANCE BENEFITS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/2011	-	15,168,274	15,168,274	0.00%	12,109,928	125.3%
06/30/2010	-	17,187,326	17,187,326	0.00%	13,127,850	130.9%
06/30/2009	-	15,890,649	15,890,649	0.00%	12,155,120	130.7%

**RETIREE LIFE INSURANCE BENEFITS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/2011	-	874,612	874,612	0.00%	13,100,142	6.7%
06/30/2010	-	1,162,315	1,162,315	0.00%	12,180,589	9.5%
06/30/2009	-	1,074,626	1,074,626	0.00%	13,277,840	8.1%

---

**BOARD OF COMMISSIONERS OF**  
**THE PORT OF NEW ORLEANS**

**SINGLE AUDIT REPORTS**

**JUNE 30, 2011**

---



Postlethwaite  
& Netterville

A Professional Accounting Corporation

[www.pncpa.com](http://www.pncpa.com)

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**TABLE OF CONTENTS**  
**JUNE 30, 2011**

	<b>Page</b>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance with OMB Circular A-133 and the Schedule of Expenditures of Federal Awards	3-4
Schedule of Expenditures of Federal Awards	5
Schedule of Findings and Questioned Costs	6-8



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Board of Commissioners of the  
Port of New Orleans:

We have audited the financial statements of the Board of Commissioners of the Port of New Orleans (the Port) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Port is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Port's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency in a control deficiency, or combination of deficiencies, in internal control such there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, indexed as 2011-1, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Commissioners, management, and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in black ink, appearing to read "Robert Metterville". The signature is fluid and cursive, with the first name "Robert" and last name "Metterville" clearly distinguishable.

Metairie, Louisiana  
September 15, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND  
MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Board of Commissioners of the  
Port of New Orleans:

Compliance

We have audited the compliance of the Board of Commissioners of the Port of New Orleans (the Port) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2011. The Port's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Port's management. Our responsibility is to express an opinion on the Port's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program identified in the accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about the Port's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Port's compliance with those requirements.

In our opinion, the Port complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the Port is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Port's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Port as of and for the year ended June 30, 2011, and have issued our report thereon dated September 15, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Port's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Port's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Board of Commissioners, management, and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Metairie, Louisiana  
September 15, 2011

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS  
NEW ORLEANS, LOUISIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Federal Grantor/Program Title</u>	<u>CFDA No.</u>	<u>Federal Expenditures (1)</u>
<u>United States Department of Housing and Urban Development</u>		
Passed through the State of Louisiana Office of Community Development		
Community Development Block Grants		
Riverfront Cold Storage Facility Project	14.228	\$ 11,582,442
Total United States Department of Housing and Urban Development		<u>11,582,442</u>
<u>United States Department of Homeland Security -</u>		
Passed through the State of Louisiana Office of Homeland Security and		
Emergency Preparedness		
Disaster Grants - Public Assistance	97.036	11,760,780
Passed through the Office of State and Local Government Coordination		
and Preparedness		
Port Security Grant Program		
2006 Port Security Grant	97.056	66,115
Round 7 Port Security Grant	97.056	466,733
Total United States Department of Homeland Security		<u>12,293,628</u>
Total Federal Assistance Expended		<u>\$ 23,876,070</u>

**FOOTNOTES**

**(1) Basis of Presentation**

This schedule includes the federal grant activity of the Port of New Orleans and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements on OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**(2) Loans Payable to Federal Agency**

The Port received Special Community Disaster Loans (the "Loans") from the federal government of \$5,627,230 in April and May 2006 and \$1,921,876 in September 2006. The Loans accrued interest at rates between 2.81% and 3.00% annually to be repaid with the principal when the Loans became due beginning in 2011. The Loans and accrued interest on the Loans were forgiven in November 2010.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**SECTION I-SUMMARY OF AUDIT RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? ☐ Yes ☒ No

Significant deficiencies identified that are not considered  
to be material weaknesses? ☒ Yes ☐ No

Noncompliance material to financial statements notes? ☐ Yes ☒ No

**FEDERAL AWARDS**

Internal control over major programs:

Material weaknesses identified? ☐ Yes ☒ No

Significant deficiencies identified that are not considered  
to be material weaknesses? ☐ Yes ☒ None

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported  
in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

United States Department of Homeland Housing and Urban Development –  
Community Development Block Grant (CFDA number 14.228)

Dollar threshold used to distinguish between types A and B programs: \$716,282

Audit qualified as low-risk auditee: ☒ Yes ☐ No

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**SECTION II-FINANCIAL STATEMENT FINDINGS**

**2011-1 Information Technology Change Management**

**Criteria:** General controls are policies and procedures that relate to many applications and support the effective functioning of application controls by helping to ensure the continued proper operation of information systems. General controls commonly include controls over data center and network operations; system software acquisition and maintenance; access security; and application system acquisition, development and maintenance.

**Condition:** The Port does not have a formal change management process which provides standard procedures for all system modifications including updates and patches to critical servers.

**Context:** We noted the following conditions during our audit:

- The Port has an informal Change Management process for changes performed to the general ledger and billing systems.
- There was no formal process to perform user access reviews for the existing users in the general ledger and billing systems.

**Cause:** The Port does not have adequate documented policies, procedures, and related controls for information technology general controls.

**Effect:** Failure to ensure adequate general controls are in place and operating effectively could impact proper operation of, and appropriate access to, information systems.

**Recommendation:** The Port should formalize and document information technology policies and procedures, including the following:

- The Port should consider the development of a formal change management process which provides standard procedures for all system modifications including updates and patches to critical servers. All proposed changes should be identified, documented, approved and controlled as part of the overall change management practice. We recommend all new or modified programs be tested and approved by the appropriate user and information systems representatives from operations, application support, and database administration before being migrated to production; all relevant change documentation (e.g. technical specifications, business impact, back out plan, testing results, etc.) be prepared, approved by management, and archived; and an adequate segregation of duties exist between the program migration and programming activities.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**SECTION II-FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2011-1 Information Technology Change Management, Continued**

- The Port should establish a policy in which all users and their access rights are reviewed by management. Evidence of the review should be maintained. Review of the users should be a combined effort between the Business and IT Departments.

*Management Response:* The Management of the Port believes that the process in place for change management provides the necessary controls to assure effective operation and access to information systems. However, Management will review procedures and will improve the process where required. Further, a formal change management policy will be documented.

**SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None